

**COMMONWEALTH OF MASSACHUSETTS**  
**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

	)	
Cambridge Electric Light Company/	)	
Commonwealth Electric Company	)	D.T.E. 00-83
	)	

**SETTLEMENT AGREEMENT**

Cambridge Electric Light Company (“Cambridge”), Commonwealth Electric Company (“Commonwealth”) (together, the “Companies”) and the Attorney General of Massachusetts (the “Attorney General”) (collectively, the “Settling Parties”) hereby agree, subject to approval by the Department of Telecommunications and Energy (the “Department”), to resolve certain issues in the above-captioned proceeding.

**ARTICLE 1**

**INTRODUCTION**

1.1 On November 19, 1997, the Companies filed with the Department a proposed electric restructuring plan (the “Restructuring Plan”) in accordance with the Electric Restructuring Act, Chapter 164 of the Acts of 1997 (the “Restructuring Act”). On February 27, 1998, the Department determined that the Restructuring Plan is consistent with or substantially complies with the provisions of the Restructuring Act. Cambridge Electric Light Company et al., D.P.U./D.T.E. 97-111 (1998); see also Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 99-90-C (2001).

- 1.2 On November 13, 2000, the Companies filed their second reconciliation filing with the Department, pursuant to the approved Restructuring Plan (the “Filing”). The Filing also included tariffs seeking Department approval of charges for Standard Offer Service, Default Service, Transmission Service, Demand Side Management, Renewables and Distribution Service for effect January 1, 2001.
- 1.3 On December 22, 2000, tariffs implementing new charges were allowed by the Department to go into effect on January 1, 2001 subject to reconciliation.
- 1.4 On May 2, 2001, the Companies filed supplemental testimony and exhibits to update the Filing to reflect actual data through December 31, 2000.
- 1.5 On July 18, 2001, the Companies filed additional supplemental testimony and exhibits to update the Filing to reflect changes incorporating the requirements of the Department’s Order in D.T.E. 99-90-C.
- 1.6 On various dates, the Companies filed responses to information requests issued by the Department and the Attorney General concerning the Companies’ Filing and related updates thereto. A listing of all exhibits filed in this proceeding, including all responses to information requests, is attached hereto as Appendix A.
- 1.7 This Settlement Agreement is intended to resolve issues relating to the reconciliation of costs and revenues for the years 1998, 1999 and 2000 as follows:

## **ARTICLE 2**

### **TERMS OF AGREEMENT**

- 2.1 The Settling Parties agree to the following changes to the Companies’ reconciliation of Transition Charge revenues and costs and Standard Offer and Default Service revenues and costs for the years 1998, 1999 and 2000 as set forth

in Exhibit CAM-BKR-1 (Settlement), Exhibit COM-BKR-1 (Settlement), Exhibit CAM-RAP-1 (Settlement), Exhibit CAM-RAP-2 (Settlement), Exhibit COM-RAP-1 (Settlement) and Exhibit COM-RAP-2 (Settlement) attached hereto and incorporated by reference herein. The adjustments include:<sup>1</sup>

- a. an adjustment in the sale of land for Commonwealth set forth in Exhibit COM-BKR-1 (Settlement), p. 5, col. J, to reflect additional expenditures incurred in the property sales;
- b. a credit of \$4.431 million for Commonwealth set forth in Exhibit COM-BKR-1 (Settlement), p. 4, col. K, resulting from a refund from Boston Edison Company relating to the operation of the Pilgrim Nuclear Power Plant in 1998;
- c. adjustments of the regulatory assets for Cambridge and Commonwealth set forth in Exhibit CAM-BKR-1 (Settlement), p. 5, col. G and Exhibit COM-BKR-1 (Settlement), p. 5, col. G, to reflect changes in the FAS 87 and FAS 106 unrecognized transition obligations relating to generation employees through July 1, 1999;<sup>2</sup>
- d. adjustment of the power contract obligation for Cambridge and Commonwealth set forth in Exhibit CAM-BKR-1 (Settlement),

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<sup>1</sup> The adjustments are in relation to the second supplemental exhibits filed with the Department on July 18, 2001. The changed values in the settlement exhibits are indicated by shading.

<sup>2</sup> The Settling Parties agree that the Companies shall contribute, as soon as practicable, the final unrecognized amounts to the trust funds. The Companies shall have been deemed to have funded the unrecognized amount to the extent that its aggregate contributions in 1999, 2000, 2001 and 2002 exceed the Normal Cost as determined in the Companies' annual actuarial determination. A

- p. 4, col. C and Exhibit COM-BKR-1 (Settlement), p. 4, col. C, to reflect a change in the lost revenues calculation;
- e. adjustments of Canal fuel transportation costs for Cambridge and Commonwealth set forth in Exhibit CAM-BKR-1 (Settlement), p. 4, col. F and Exhibit COM-BKR-1 (Settlement), p. 4, col. F, to correct Algonquin support payment amounts;
  - f. adjustments of 1998 Standard Offer and Default Service deferrals for Cambridge and Commonwealth set forth in Exhibit CAM-RAP-1 (Settlement) and Exhibit COM-RAP-1 (Settlement); and
  - g. adjustment of the power contract market value for Cambridge and Commonwealth set forth in Exhibit CAM-BKR-1 (Settlement), p. 4, col. D and Exhibit COM-BKR-1 (Settlement), p. 4, col. D, to reflect adjustments in the Standard Offer/Default Service calculation for 1998.

2.2 The Settling Parties agree that the reconciliation of Transition Charge revenues shall be performed in accordance with the Companies' proposal as set forth in the Filing and as explained in the November 13, 2000 testimony of Bryant K. Robinson (Exh. CAM/COM-BKR); provided that, each year beginning January 1, 2003, the Companies shall provide for an adjustment to the Transition Charge for each rate class to ensure that the reconciliation of the Transition Charge maintains

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breakdown of the adjustments is set forth in Exhibit CAM/COM-1 (Settlement), attached hereto and incorporated by reference herein.

a uniform recovery of the Transition Charge from the Companies' rate classes.<sup>3</sup>

A similar methodology shall be employed in succeeding years whereby a Transition Charge adjustment for each class will be calculated based upon the reconciliation of actual versus design Transition Charge revenues from prior periods. To the extent that individual rate class Transition Charge adjustments for a given year result in a net over- or under-collection of Transition Charge revenues, compensating adjustments will be made to the Transition Charge calculation. For illustrative purposes, such adjustments are shown in columns L and M of page 4 of Exhibit CAM-BKR-1 (Settlement) and columns L and M of page 4 of Exhibit COM-BKR-1 (Settlement).<sup>4</sup>

2.3 The Settling Parties agree that the reconciliation methodology described in Paragraph 2.2, supra, is intended to be consistent with and substantially comply with the Restructuring Act and the Restructuring Plan. The manner in which Transition Charge revenues are reconciled pursuant to Paragraph 2.2 is intended to provide for a more precise accounting of revenues received from customers and to take into account rate-design differences between and among customer classes.

2.4 The Settling Parties agree that, in order to implement the terms of this Settlement Agreement, the Companies' Transition Cost Adjustment tariffs shall be revised with the Companies' next reconciliation filing. It is the intent of the reconciliation methodology set forth in Paragraph 2.2 that, on a company-wide

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<sup>3</sup> The January 1, 2003 rate-class adjustment shall, to the extent practicable, reflect the cumulative class reconciliation amounts for the years 1998 through 2001.

<sup>4</sup> The values included for future years in the settlement exhibits are for illustrative purposes only, and do not represent projections of the future adjustments.

basis, Transition Charge revenues will be fully reconciled with actual revenues received so that, in the aggregate, customers pay on a class basis, and the Companies receive, no more and no less than the approved level of Transition Charge costs.

### **ARTICLE 3**

#### **CONDITIONS**

- 3.1 This Settlement Agreement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in this proceeding is true or false. Except as specified herein, the entry of an order by the Department approving this Settlement Agreement shall not in any respect constitute a determination by the Department as to the merits of any other issue raised in this proceeding and any future proceeding.
- 3.2 The making of this Settlement Agreement establishes no principles and shall not be deemed to foreclose any party from making any contention in any future proceedings or investigation, except as to those issues that are stated herein as being resolved and terminated by approval of this Settlement Agreement.
- 3.3 This Settlement Agreement is the product of settlement negotiations. The Settling Parties agree that the content of those negotiations (including work papers, documents, etc., produced in connection therewith) are confidential, that all offers of settlement are without prejudice to the position of any party or participant presenting such offer or participating in such discussion, and that the content of those negotiations are not to be used in any manner with these or other

proceedings involving one or more of the parties to this Settlement Agreement, or otherwise.

- 3.4 The provisions of this Settlement Agreement are not severable. This Settlement Agreement is conditioned on its approval in full by the Department.
- 3.5 If the Department does not approve the Settlement Agreement in its entirety by June 14, 2002, it shall be deemed to be withdrawn and shall not constitute a part of the record in any proceeding or used for any other purpose.
- 3.6 The Department shall have continuing jurisdiction to enforce the terms of this Settlement Agreement.

The signatories listed below represent that they are authorized on behalf of their principals to enter into this Settlement Agreement.

**CAMBRIDGE ELECTRIC LIGHT COMPANY  
COMMONWEALTH ELECTRIC COMPANY**

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John Cope-Flanagan  
Assistant General Counsel  
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and

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**ATTORNEY GENERAL OF  
MASSACHUSETTS**

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Joseph W. Rogers  
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Dated: April 10, 2002